

RISK INSIGHTS

Frequency, Severity and Your Commercial Auto Insurance Premiums

Auto insurance rates are based on several factors, frequency and severity of crashes, auto repair costs, medical and hospital costs, lawsuits and court judgments, insurance fraud, vehicle type, and deductibles.

This means that while your company's inherent level of risk is a factor that affects the premium you will pay for auto insurance, that amount is also affected by factors that are not directly controlled by the company.

Frequency vs. Severity

Both accident frequency and severity affect the portion of your premium that covers losses.

Frequency refers to how many crashes occur and how often they occur. Logically, the higher the premium, the more insurers pay in claims. Severity, instead, is reflected in the amount paid per claim.

The make and model of your vehicles can also affect your level of risk, and therefore your premiums.

Risk Management Techniques

One of the best things you can do to control your automobile insurance premiums is implement risk management techniques for controlling the frequency of accidents. Improving your drivers' performance can make a big difference: A study by the U.S. Department of Transportation revealed that 90 percent of all collisions were due to driver action, attitude and behavior. Making your drivers safer and purchasing dependable vehicles can affect both frequency and severity of accidents, ultimately lowering

your premiums. Some steps to take include the following:

- Select good drivers. Conduct background checks and request regular motor vehicle driving records.
- Provide driver safety training on a regular basis, both at hire and as a refresh, ensuring that both new and seasoned employees are properly prepared.
- Train employees on reporting a loss immediately after a crash.
- Monitor drivers to ensure their best performance.

While your company's level of risk is a factor that affects the premium you pay for automobile insurance, that amount is also affected by factors that you cannot directly control.

More Than Your Premium

According to National Council on Compensation Insurance (NCCI) data, the most costly lost-time workers' compensation injury claims result from motor vehicle crashes.

If you have questions about your commercial automobile insurance coverage, contact the professionals at Gallagher Franchise Solutions.

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